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Financial reports and audited financial statements, and reports of the Board of Auditors

Second report on the implementation of the recommendations of the Board of Auditors on the accounts of the United Nations for the biennium ended 31 December 2001

Report of the Secretary-General

Summary

The present report provides an update of the information contained in A/57/416 on the measures taken or being taken to implement the recommendations of the Board of Auditors as contained in its report on the accounts of the United Nations for the biennium ended 31 December 2001. The report indicates that a majority of the Board's recommendations have been duly implemented or measures are actively being pursued towards the implementation of the recommendations. Where a particular recommendation of the Board has been fully implemented since the issuance of the previous report of the Secretary-General, no further information is provided thereon.

* A/58/50/Rev.1 and Corr.1.

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I. Introduction

1. In its resolution 52/212 B of 31 March 1998, the General Assembly accepted the recommendation of the Board of Auditors contained in the annex to the note by the Secretary-General (A/52/753) that progress reports should be submitted to the General Assembly on an annual basis on measures taken or to be taken in response to the recommendations of the Board of Auditors.

II. Implementation of recommendations contained in paragraph 13 of the report of the Board of Auditors[1]

A. Financial issues

1. Voluntary contributions pledged

2. **In paragraphs 13 (a) and 27 of the report of the Board of Auditors, the Board recommended that the Office of Programme Planning, Budget and Accounts: (a) review the application of the provisions of the United Nations Finance Manual in relation to the United Nations system accounting standards in order to address the inconsistency in the recording of unpaid pledges; and (b) apply consistently the accounting policy on recognition of income in trust funds.**

3. Effective 1 January 2002, the application of the accounting policy and the treatment of unpaid pledges for technical cooperation projects were revised accordingly.

4. The Controller is responsible for the implementation of the recommendation.

2. Trust funds

5. **In paragraphs 13 (b) and 35, the Board recommended that the Office of Programme Planning, Budget and Accounts review trust funds whose purposes have long been attained in order to close those that are inactive and no longer required.**

6. Trust funds are reviewed regularly on a case-by-case basis to determine appropriate disposition action. In this connection, in a coordinated effort, a staff member has also been assigned the task of analysing the United Nations trust funds and recommending appropriate action.

7. The Controller is responsible for the implementation of the recommendation.

B. Management issues

Integrated Management Information System

8. **In paragraphs 13 (f) and 110, the Board recommended that the Administration: (a) develop short- and medium-term information technology plans for the Integrated Management Information System (IMIS) that establish the work to be done, the task priorities and the resource allocation policy; and**

(b) provide information on development and maintenance costing and detailed time frames.

9. The strategic plan for IMIS for the period 2002-2005 was completed in November 2002. It includes the technological upgrade of IMIS and other projects and lays out the priorities, the resource allocation issues and the areas where further information and analysis are required before detailed plans can be prepared. In turn, it reflects the direction of the overall ICT strategy presented to the General Assembly in the report of the Secretary-General (A/57/620).

10. The Assistant Secretary-General for Central Support Services is responsible for the implementation of the recommendation.

11. **In paragraphs 13 (g) and 113, the Board recommended that the Administration develop and implement a structured, Organization-wide risk-assessment process covering all information and communication technology environments that, inter alia: (a) clearly defines roles and responsibilities for risk management and accountability; and (b) establishes a policy defining risk reporting, limits and tolerance.**

12. With the arrival in November 2002 of a newly appointed ICT Security Coordinator, and the formation of the ICT Security Unit, an in-house risk-assessment capability is being established to service the Organization. Employing industry best practices (such as OCTAVE, SSE-CMM, and ISO-17799), the risk assessment will include identification of critical assets, threat assessment, likelihood and consequence estimates, vulnerability analysis, and subsequently a corrective action strategy/plan. The roles will be clearly defined and a policy established. The risk-assessment area of work will earmark a continuous improvement programme to be sustained with routine and ad hoc assessments.

13. The Assistant Secretary-General for Central Support Services is responsible for the implementation of the recommendation.

14. **In paragraphs 13 (h) and 118, the Board recommended that the Administration: (a) document its procedures for updating and maintaining IMIS manuals when updates are implemented; (b) establish programme change authorization guidelines that would provide for a rapid and efficient planning, approval and initiation process; and (c) ensure that persons responsible for approving programme change are identified and designated.**

15. Implementation of this recommendation is in progress. The procedures and guidelines were already in place. Some parts of the documentation remain to be completed, which will be done in the second quarter of 2003. The actual procedures for (a), (b) and (c) are already in place, so completing the documentation will serve to have a written record of them.

16. **In paragraphs 13 (i) and 122, the Board recommended that the Administration implement performance- and capacity-monitoring procedures and develop a comprehensive IMIS disaster recovery plan.**

17. Implementation of the recommendation is in progress. A disaster recovery plan using remote mirroring to a second data centre is being prepared and has been partially implemented. Further steps to improve the disaster recovery preparedness, including the purchasing and implementation of an "automated disaster tolerant solution for IMIS availability" are being developed. This project is currently in the

request-for-proposal stage and is expected to be implemented in the fourth quarter of 2003. In addition, and in order to protect IMIS data from larger-scale disaster possibly affecting the second data centre, plans are being considered to replicate the data to a third, overseas location such as the United Nations Logistics Base in Brindisi. If confirmed, the timeline to implement this solution will be prepared.

18. The Assistant Secretary-General for Central Support Services is responsible for the implementation of the recommendation.

19. **In paragraph 129, the Board recommended that the Administration enhance the applied deposits user session to ensure that all information entered by the Treasury in the session is made available as read-only data and that the Central Accounts Section be responsible only for the classification of the collection deposited during the session.**

20. The Administration is satisfied with the current functionalities in IMIS, given that the audit trail of action taken by OPBBA is generated in IMIS.

21. The Controller is responsible for the implementation of this recommendation.

22. **In paragraphs 13 (j) and 133, the Board recommended that the Administration introduce controls to ensure that no modifications of the receipt details are allowed once IMIS has generated and/or printed the receipt documents.**

23. Implementation of this recommendation is in progress. The requirements for the implementation of the recommendation have been defined, and the implementation will be completed in the second quarter of 2003. This will ensure that receipts cannot be modified once receipt documents have been generated and printed in IMIS. However, there have not been any cases to date of receipts being inappropriately modified and procedures are in place to help to ensure that, so the impact will otherwise be minimal.

24. The Assistant Secretary-General for Central Support Services is responsible for the implementation of the recommendation.

25. **In paragraphs 13 (m) and 155, the Board recommended that the Administration review the distribution of functional packages to IMIS users in order to ensure the adequate segregation of incompatible functions and immediately discontinue the present practice of password-sharing in order to ensure the validity of the recorded transactions in IMIS.**

26. The review of the allocation of IMIS functional packages is an ongoing exercise of the IMIS human resources help desk. Significant progress has been made in cleaning up the allocation of functional packages to IMIS human resources users. As for password-sharing, a directive will be issued by OHRM to staff in that regard.

27. The Assistant Secretaries-General for Central Support Services and Human Resources Management are responsible for the implementation of the recommendation.

C. Other issues

1. Statement of account for receivables for the Integrated Management Information System

28. **In paragraph 164, the Board recommended that the Office of Programme Planning, Budget and Accounts, in coordination with the IMIS reports team, use the IMIS function to efficiently generate statements of account.**

29. While the Board recommended that OPPBA utilize IMIS functions to efficiently generate statements of account, OPPBA is reviewing its options so as to optimally generate billing statements for accounts receivable, including a review of the LOTUS Notes application recently developed and adopted by the United Nations Office at Vienna.

2. Integrated Monitoring and Documentation Information System

Reports generated by the Integrated Monitoring and Documentation Information System

30. **In paragraph 169, the Board recommended that the Administration review and enhance the capabilities of the Integrated Monitoring and Documentation Information System (IMDIS), such as an improved search engine, to make it an effective tool in monitoring and reporting programmes. The Board also recommended that the Administration ensure that programme managers regularly update and review the information on their programme implementation in IMDIS.**

31. The Department continues to work with the Office of Programme Planning, Budget and Accounts and the Office of Internal Oversight Services to enhance the capacity of IMDIS as an effective monitoring and reporting tool, while ensuring that it remains consistent with any new methods for programme planning as determined by OPPBA.

32. The Under-Secretary-General for Economic and Social Affairs is responsible for the implementation of the recommendation.

D. Office of Internal Oversight Services

1. Information technology and information system audit function and capability

33. **In paragraphs 13 (o) and 183, the Board recommended that the Office of Internal Oversight Services strengthen its information technology and information systems audit capability through further staffing and training, following the approach recommended by the International Organization of Supreme Audit Institutions.**

34. The implementation of this recommendation is ongoing. A project team under the Tripartite Meeting of oversight entities (Joint Inspection Unit, Board of Auditors and Office of Internal Oversight Services) has been established to look into strategies for improving IT audit capacity in the Organization.

35. The Under-Secretary-General for the Office of Internal Oversight Services is responsible for the implementation of the recommendation.

2. Documentation of work performance

36. **In paragraph 185, the Board recommended that Office of Internal Oversight Services auditors: (a) properly document the review of internal controls; (b) organize the working papers with appropriate references and cross-references; and (c) retain the working papers for reference and evaluation purposes. The Board also recommended that the Office ensure that reviews by audit supervisors are indicated in the working paper files.**

37. The implementation of the recommendation is ongoing. The Internal Audit Division has provided training on working paper standards at all duty stations, and has decentralized the retention of working papers to Audit Sections to improve control. The Division has also implemented a report clearance check sheet to ensure that supervisory reviews of the working paper files have been performed. Compliance with the Board's recommendations will be further reinforced through the introduction of periodic peer reviews of working papers on selected assignments. Moreover, the Division is currently undertaking an electronic working paper pilot project which, when successfully implemented, will fully ensure that the Board's recommendations are complied with.

38. The Under-Secretary-General for the Office of Internal Oversight Services is responsible for the implementation of the recommendation.

3. Reporting of potential financial savings

39. **In paragraph 189, the Board recommended that the Office of Internal Oversight Services document the basis and manner of computing savings.**

40. Implementation of the recommendation is ongoing. The Internal Audit Division provides an estimate of potential savings in audit reports, whenever feasible. However, this is not always possible as the data necessary for the computation of savings are not always available when the report is prepared. As previously indicated to the Board, documentation of the basis and manner of computation of savings are in all cases documented in the working papers and reviewed by the responsible supervisors.

41. The Under-Secretary-General for the Office of Internal Oversight Services is responsible for the implementation of the recommendation.

E. Inter-agency services

1. Administration of the United Nations Office at Geneva

42. **In paragraphs 13 (p) and 203, the Board recommended that the United Nations Office at Geneva clarify its responsibilities vis-à-vis other United Nations entities by formally listing them and, accordingly, pursue its plan of drafting memorandums of understanding with each concerned organization in order to clarify the content and reimbursement of services and to better monitor them.**

43. The United Nations Office at Geneva is finalizing the revision of ST/SGB/2000/4 so as to include the list of all entities it services. Meanwhile, the Office continues to formalize the services it provides to clients through

memorandums of understanding. Nine of them were in place at the end of May 2003.

44. The Director of the Division of Administration, United Nations Office at Geneva, is responsible for the implementation of the recommendation.

45. **In paragraph 208, the Board recommended that the United Nations Office at Geneva review the resource allocation for the Treasury functions and ensure the proper segregation of incompatible functions.**

46. The United Nations Office at Geneva has reviewed the resource allocation for the Treasury functions to ensure proper segregation of incompatible functions. As a result, one post in the Professional category has been redeployed to Treasury from within the Financial Resources Management Service.

47. The Director of the Division of Administration, United Nations Office at Geneva, is responsible for the implementation of the recommendation.

48. **In paragraph 212, the Board recommended that the United Nations Office at Geneva develop, in close coordination with Headquarters, suitable tools for cash management in IMIS, and that it frequently review malfunctions and anomalies.**

49. UNOG is reviewing the existing Consolidated Treasury System (CTS) with a view to enhancing its cash management functionality. CTS interfaces with IMIS and bank payments systems for treasury operations. The Financial Resources Management Service and the Information and Communication Technology Service, UNOG, will focus on the enhancement of CTS concerning cash management functionality, immediately after the implementation of IMIS Release 3 at the United Nations System Staff College, which is scheduled for July 2003.

50. The Director, Division of Administration, United Nations Office at Geneva, is responsible for the implementation of the recommendation.

2. Administration of the United Nations Office at Vienna

51. **In paragraph 221, the Board recommended that United Nations Headquarters and the United Nations Office at Vienna either reorganize the conference services under a single D-1 post to comply with the budget or submit an accurate staffing table for approval by the General Assembly.**

52. Effective 1 February 2004, the situation will be resolved.

53. The Director of the Division of Administration, United Nations Office at Vienna, is responsible for the implementation of the recommendation.

F. Other offices

1. Office of the High Commissioner for Human Rights, the United Nations Office at Geneva and implementing partners

54. **In paragraph 231, the Board recommended that the Office of the High Commissioner for Human Rights (OHCHR) draft a memorandum of understanding with the United Nations Office for Project Services (UNOPS) for those remaining operations entrusted to the latter.**

55. A memorandum of understanding between OHCHR and UNOPS has been drafted and is awaiting clearance from the appropriate departments of the United Nations Secretariat. OHCHR will actively follow up on this recommendation.

56. The High Commissioner for Human Rights is responsible for implementation of the recommendation.

2. United Nations Interregional Crimes and Justice Research Institute

57. **In paragraph 235, the Board encouraged the Office for Drug Control and Crime Prevention (ODCCP) and the United Nations Interregional Crime and Justice Research Institute (UNICRI) to consult more closely in the planning of work programmes and recommended that the Administration review the structure and authority of the Institute.**

58. UNICRI has embraced the Board's recommendation with regard to the encouragement of closer consultation with ODCCP and UNICRI in the planning of work programmes. However, as far as the administrative review of the structure and authority of the Institute, the Director of UNICRI will be in a position to implement such a request only after prior consultation and upon receipt of guidance from the United Nations Headquarters (New York).

59. The Director of UNICRI is responsible for the implementation of the recommendation.

3. International Civil Service Commission

Reporting cycle on the implementation of decisions and recommendations of the Commission

60. **In paragraph 240, the Board recommended that the International Civil Service Commission (ICSC) secretariat invoke the agreement accepted by the participating organizations under article 1.2 of the ICSC statute in order to obtain the necessary data on the implementation of ICSC decisions and recommendations.**

61. A report on the implementation of ICSC decisions and recommendations by the participating organizations is in preparation by the ICSC secretariat and will be considered by the Commission at its fifty-seventh session in New York, from 14 to 25 July 2003, as an agenda item. The matter will be part of the ICSC report to the General Assembly later in 2003.

62. The Executive Secretary of ICSC is responsible for the implementation of the recommendation.

63. **In paragraph 242, the Board recommended that the ICSC secretariat justify to the extent possible the adjustments of the ICSC agenda until it attains the regular biennial cycle for reporting comprehensive information on the implementation of ICSC decisions and recommendations. The agenda should correspond with the biennialization of the work programme of the Fifth Committee, which was the prime consideration in modifying the annual reporting as required under article 17 of the statute.**

64. The matter will be considered at the Commission's spring session and reported upon subsequently to the General Assembly.

4. Office for the Coordination of Humanitarian Affairs

Central Emergency Revolving Fund

65. **In paragraph 247, the Board recommended that the Office for the Coordination of Humanitarian Affairs (OCHA) resolve without further delay the issue of the Central Emergency Revolving Fund's advance still accounted for as receivable that the Office states was reimbursed in 1998, and, noting that the two-year deadline had passed, that the Office obtain immediate reimbursement from the United Nations Development Programme.**

66. In a continuing effort to obtain reimbursement of the outstanding $630,000 advance, OCHA has been in close contact with UNDP and members of the United Nations Country Team in Ethiopia. After consultations, it has been determined that the amount was indeed utilized to cover security and communications costs, as intended. The resulting improvements in staff security have clearly benefited the entire humanitarian community in Ethiopia. In order to recover the full amount on an urgent basis, OCHA therefore has sought advice from UNDP on methods of cost-sharing reimbursement through this modality. This will include reviewing past donor contributions to determine whether resources have been made available for this purpose.

67. The Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator is responsible for implementation of the recommendation.

Personnel

68. **In paragraph 254, the Board recommended that the Office for the Coordination of Humanitarian Affairs review its human resources management policies and ensure compliance with United Nations regulations and rules.**

69. An explanation for the circumstances surrounding the temporary redeployment of the P-2 post in Geneva for the Inter-Agency Standing Committee Unit, as well as the case of the staff member with multi-contracts of fixed-term duration has been provided to the Board. The matter is still under review by OHRM.

70. The Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator is responsible for implementation of the recommendation.

III. Report of the Board of Auditors on the expanded examination of the practices and procedures with regard to the handling of arbitration/claims cases by the United Nations Administration[2]

71. **In paragraph 11 of its report to the Advisory Committee on Administrative and Budgetary Questions on procurement-related arbitration, the Board recommended that the Office of Legal Affairs and the Field Administration and Logistics Division should clarify whether "overflight" charges should be regarded as a direct tax or charges for public utility services.**

72. This recommendation was made in the context of the review of a particular case, the Eurocontrol case. The Office of Legal Affairs had taken the position that

the charges in question are taxes from which the United Nations should enjoy immunity; such charges are imposed on the operators and owners of aircraft, who do not enjoy immunity. For this reason, the Office of Legal Affairs does not believe that revising the language of the current United Nations aircraft charter agreements will have any significant bearing on disputes with Eurocontrol or similar authorities in the future. Accordingly, there are no relevant effects, changes or results to report.

73. **In paragraph 31, the Board recommended that in the purchase of specialized equipment, the Procurement Division should consult with relevant offices of the United Nations to confirm that purchases requested are fully compatible with related installations.**

74. The Procurement Division has been in full consultation with relevant offices to ensure that purchases are fully compatible with other systems. Adherence to this practice will assure compatibility between goods and services to be procured and the existing system/infrastructure. However, it has to be recognized that the Procurement Division is dependent on the technical expertise of other offices in making procurement decisions on highly specialized types of goods and services.

75. **In paragraph 34, the Board recommended that the Office of Legal Affairs and the Procurement Division should coordinate the establishment of procedures to ensure that proper internal controls are in place for the solicitation, selection and setting of fees in respect of outside counsel.**

76. The Procurement Division and the General Legal Division of the Office of Legal Affairs have agreed on new procedures for the registration, selection and engagement of outside counsel, procedures which would increase transparency in the selection process. A joint instruction issued by the Office of Legal Affairs and the Procurement Division entered into force on 1 March 2003. The elements of the 10 January 2001 instruction that pertained to appointment of arbitrators have been issued in a new internal instruction by the Legal Counsel on 21 February 2003.

Notes

[1] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5* (A/57/5), vol. I and corrigendum (A/57/5/Corr.1), chap. II.

[2] See A/55/829, annex III.